

Message Text

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ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ISO-00 IO-14 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01

PRS-01 SP-03 SS-20 USIA-15 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 CEA-02 FS-01 ABF-01 DRC-01 /211 W

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 9271

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BERN

AMEMBASSY JIDDA

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY TRIPOLI

CONFIDENTIAL KUWAIT 1428

EO 11652: GDS

TAGS: EFIN, KU

SUBJ: EAL: WITTEVEEN VISIT- KUWAIT FINANCIAL POLICIES

1. IMF MANAGING DIRECTOR WITTEVEEN HAS COMPLETED BRIEF VISIT TO KUWAIT. WHILE HERE, HE HELD TALKS WITH ACTING AMIR, MINISTER FINANCE AND OIL (MFO), GOVERNOR OF CENTRAL BANK AND OTHER SENIOR FINANCE OFFICIALS. SO FAR THERE HAS BEEN VERY LITTLE SUBSTANTIVE COMMENT IN PRESS REGARDING VISIT, BUT MFO ATIQI USED VISIT AS OCCASION TO STATE THAT KUWAIT WILL NOT FLOAT THE DINAR. ACCORDING TO NEWSPAPER REPORT, ATIQI SAID THAT KUWAIT CENTRAL BANK WILL INTERVENE SHOULD VALUE OF KUWAIT DINAR EXCEED 2.25 POINT SPREAD FROM THE IMF RATE.

2. EMBOFF WAS TOLD BY VISITING JOURNALIST WHO INTERVIEWED SENIOR CONFIDENTIAL

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MFO FINANCE AND INVESTMENT OFFICIAL THAT GOK ASSURED WITTEVEEN

THAT IT HAD NO REPEAT NO INTEREST IN MANIPULATING INTERNATIONAL CURRENCY MARKETS. PRESENT GOK INVESTMENT POLICY WILL BE TO INVEST IN MAJOR CURRENCIES IN PROPORTION TO THE PERCENT OF BACKING FOR SDR'S THAT IS PROVIDED BY EACH CURRENCY. BREAKDOWN PUBLISHED BY IMF APRIL 3 ACCORDING TO OUR INFO. UNDER THIS FORMULA 35 PERCENT OF KUWAIT'S LIQUID INVESTMENTS WILL BE IN DOLLARS, 14 PERCENT IN DEUTSCHE MARKS, 12 PERCENT IN STERLING, ETC.

3. ON OTHER MATTERS, MFO OFFICIAL TOLD JOURNALIST THAT SOME 60 PERCENT OF KUWAIT'S INVESTMENTS WILL BE IN EQUITIES AND BONDS. OFFICIAL NOTED THAT KUWAITIS ABLE TO ACCOMPLISH IN 48 HOURS IN THE U.S. AN INVESTMENT TRANSACTION WHICH WOULD HAVE TAKEN THREE MONTHS IN SWITZERLAND. IN MAKING COMMENT MFO OFFICIAL SEEMED TO INDICATE THAT EFFICIENCY OF U.S. CAPITAL MARKETS WILL LURE A GREATER PROPORTION OF KUWAITI INVESTMENTS TO THE U.S. IN THE FUTURE.

4. COMMENT: WE SHALL TRY TO GET MORE DETAILS OF WITTEVEEN'S DISCUSSIONS HERE BUT INITIAL REPORTS INDICATE THAT KUWAITIS MADE NO COMMITMENTS OTHER THAN TO PROMISE TO BEHAVE RESPONSIBLY IN INTERNATIONAL FINACIAL AFFAIRS. IN ANY CASE, OUR GUESS IS THAT KUWAITI OFFICIALS WILL WANT TO HAVE TIME TO REVIEW AND CONSIDER IMPLICATIONS OF ANY PROPOSALS WITTEVEEN MAY HAVE MADE. AS FAR AS WE KNOW, IMF PROPOSALS MADE IN KUWAIT WERE SIMILAR TO THOSE MADE IN OTHER COUNTRIES IN THE REGION.

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